

# SME Development Indicator

Spring 2024

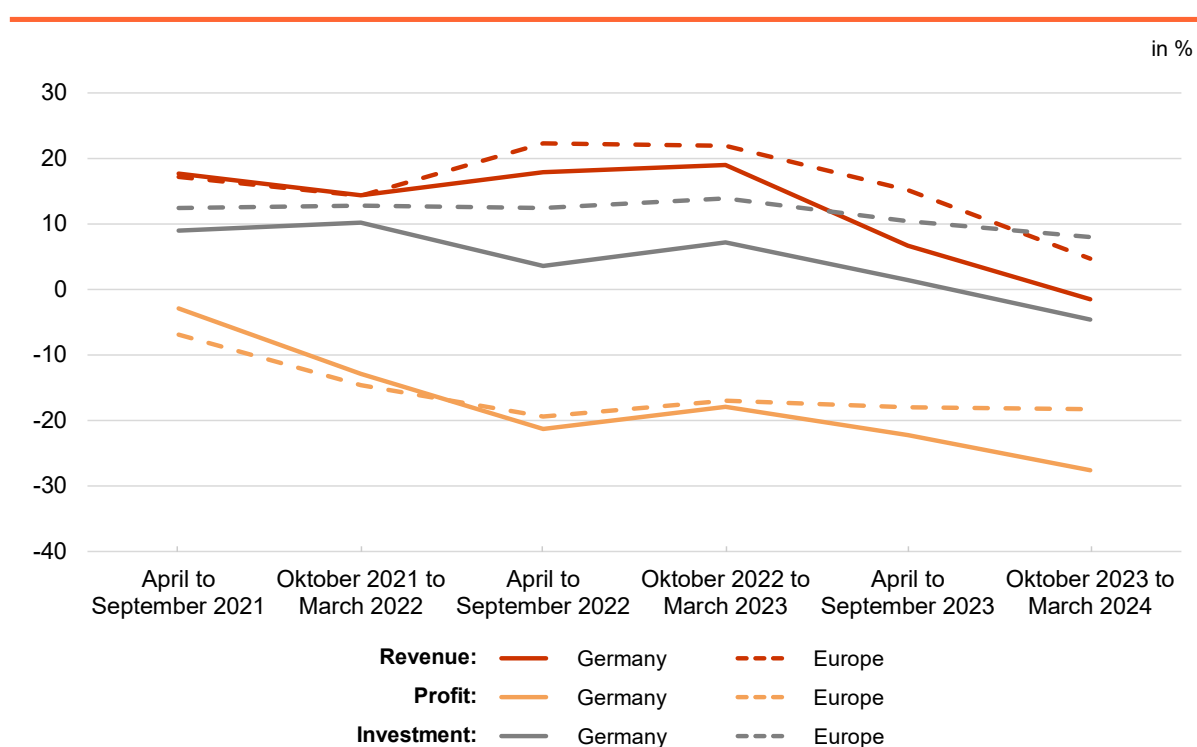
## Current Situation and Challenges of SMEs in Germany

### Significantly Worse Economic Situation of SMEs in Germany Compared to the European Average



The economic situation of SMEs in Germany has deteriorated since the spring of 2023. This applies to all three key indicators considered: revenue, profit, and investments (see Figure 1). By the beginning of 2024, the proportion of SMEs reporting declines in revenue, profit, and investments exceeded the proportion of those reporting increases in these areas. Although SMEs in certain European countries (hereinafter referred to as the EU region) also could not completely avoid the negative trend, their economic situation has improved more favorably compared to SMEs in Germany. Recently, the gap has even widened further.

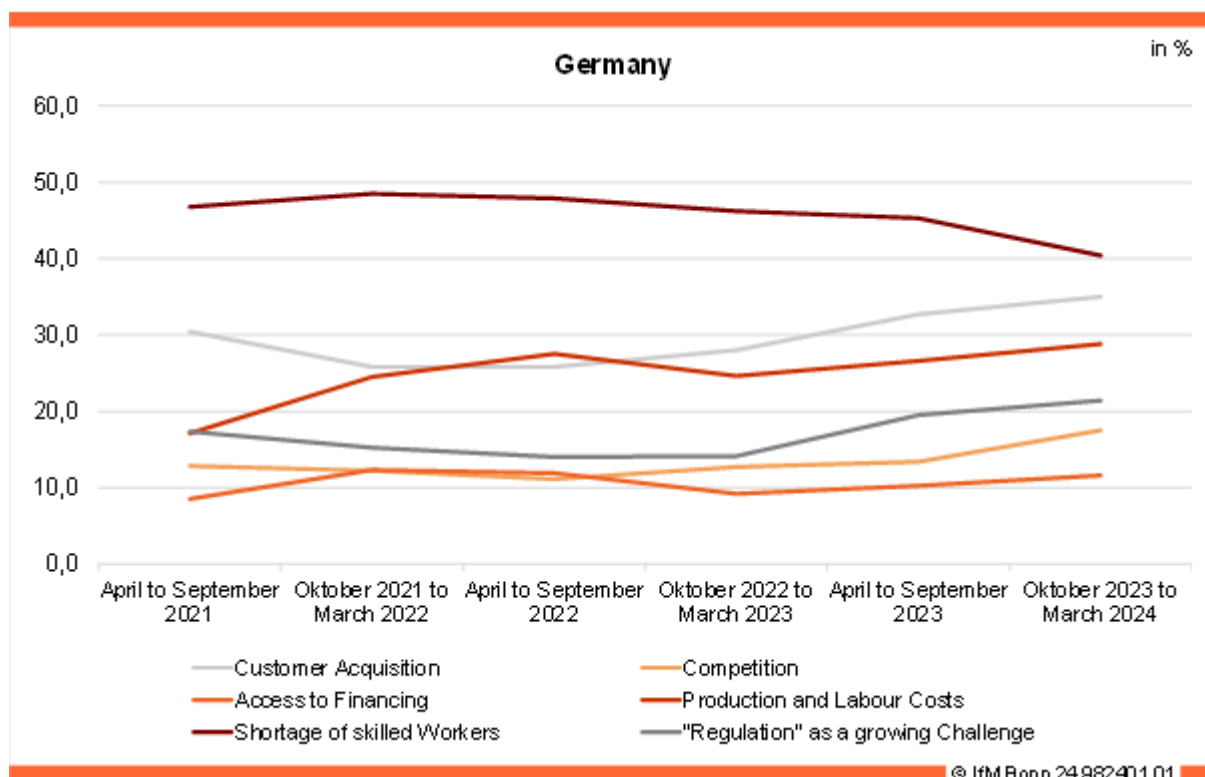
**Figure 1: Difference in the proportion of SMEs with increased or decreased revenue, profit, and Investments over the past 6 months**



### Higher Problematic Impact on SMEs in Germany

For many years, the shortage of skilled workers has been the most significant issue for SMEs in Germany (see Pahnke et al. 2023, p. 10 and Figure 2). For a certain time, up to half of SMEs have mentioned this challenge as the most important. The second and third most significant issues are "customer acquisition" and "production and labour costs" followed by "regulation" which is increasingly perceived as important challenge.

**Figure 2: Highly Significant Issues, 2021-2024, Germany, Proportion of SMEs**



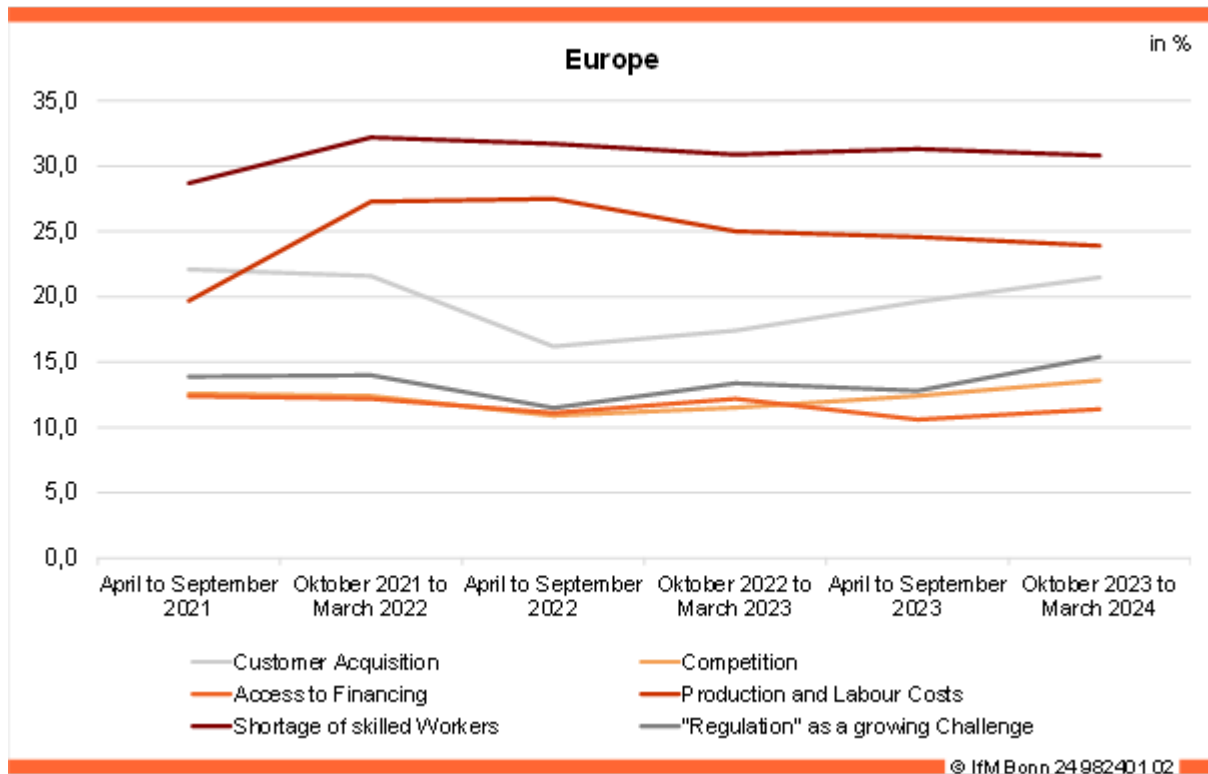
Proportion of SMEs that assigned a rating of 9 or 10 (high importance) to each problem on a scale of 1 to 10.

Source: SAFE dataset, own calculations

For SMEs in the considered European countries, the three problem areas – "skilled workers shortage," "customer acquisition," and "production and labor costs" – are also significant (see Figure 3). But fewer companies rated them as highly significant compared to the SMES in Germany.

The access to financing is not so important for the SMEs in Germany and for them in the Eu region. The generally lower level of problematic impact on SMEs in the EU region is likely contributing to their better current economic situation.

**Figure 3: Highly Significant Issues, 2021-2024, EU region, Proportion of SMEs**



Proportion of SMEs that assigned a rating of 9 or 10 (high importance) to each problem on a scale of 1 to 10.

Source: SAFE dataset, own calculations

#### Infobox

The "Survey on the Access to Finance of Enterprises" (SAFE) is a European wide survey conducted twice a year by the European Central Bank (ECB). Some countries are included only once a year due to their small share of overall economic output, so our analyses include only Austria (AT), Belgium (BE), Germany (DE), Spain (ES), Finland (FI), France (FR), Greece (GR), Ireland (IE), Italy (IT), Netherlands (NL), Portugal (PT), and Slovakia (SK). Only small and medium-sized enterprises (SMEs) as defined by the EU are considered.